



Budget Tidbits... just the facts

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Special Edition

Budget Brief #10: Abandoning Tax & Spending Limitations (3/10/05)

- The very last bill heard and passed from the Senate Ways & Means committee before cut-off proposes to functionally repeal Initiative 601 – the state’s tax & spending limit.
- The Democrat sponsor stated the bill is “really about reaffirming and strengthening our state spending limit.”¹ Let’s examine this claim:

A. Background on Initiative 601

- Initiative 601, passed by voters in 1993, had two salient and overriding features:
 - Requires a 2/3 majority of the legislature to raise taxes.
 - Limits spending increases to the rate of inflation plus population growth.
- The initiative has been amended since passage but these core features remain in place.

B. What Substitute Senate Bill 6078 Proposes

1. Permits a Simple Majority to Raise Taxes -- The bill permanently eliminates the 2/3 requirement to raise taxes, replacing it with a simple majority provision.
2. Eliminates the Formula – The bill replaces the population and inflation growth limit with a limit based on ninety percent of personal income growth in the state. Analysis shows this limit would have been 51% higher than the old formula.² Had this been in place since 1993, the spending limit would have been billions higher than it is now.
3. Eliminates the People’s Right to a Referendum – Perhaps most egregiously, the bill has an emergency clause which – under Supreme Court precedent – means citizens are denied their constitutional right to repeal the bill via referendum.

C. Practical Effect: Paves Way for Tax Increase

- SSB 6078 does not “reaffirm and strengthen” the tax & spending limit. This is, plain and simple, a vehicle designed to enable Democrats to raise taxes in this budget.

Bottom Line

SSB 6078 is a functional repeal of the tax and spending limit passed by the people which *makes it easier to raise taxes, eradicates constraints on spending, and prevents people from exercising their constitutional right to a referendum.* Don’t taxpayers deserve better?

1. Senator Debbie Regala, 3/7/2005 Ways & Means Hearing.

2. From 1993-2004, pop. & inflation growth averaged 3.5% per year; 90% personal income growth averaged 5.3% a year (51.4% higher growth rate).